DOW THEORY LETTERS INC.

RICHARD RUSSELL
P.O. Box 1759
La Jolla, Calif. 92037

36 Letters per Year – $95 Annually

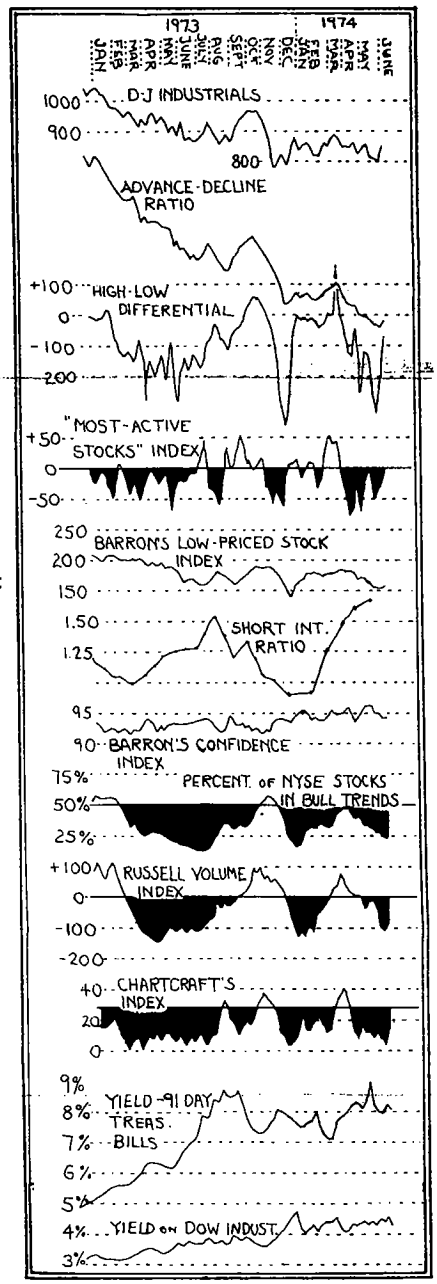
Registered with the Securities Exchange Commission

June 12, 1974 Letter 600

May 31, DJIA 802.17; PTI 446; A-D ratio -24.99
June 7, DJIA 853.72; PTI 471; A-D ratio -23.20

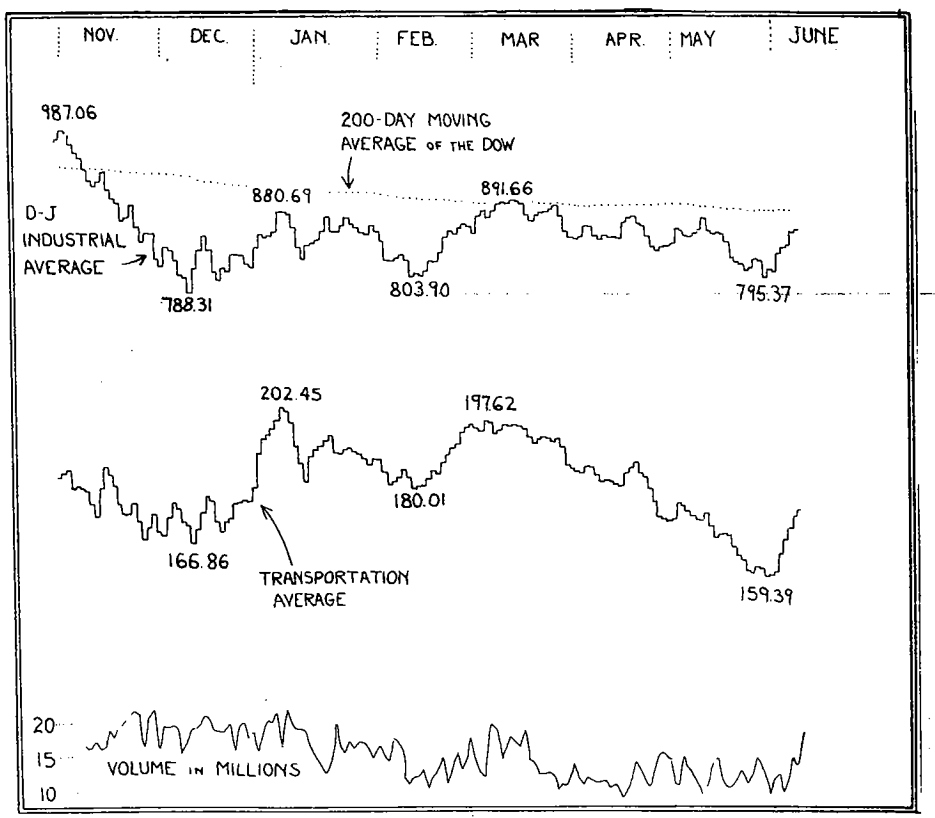
We, at the height, are ready to decline.
There is a tide in the affairs of men,
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat,
And we must take the current when it serves,
Or lose our ventures.

Julius Ceasar IV, 216-223.



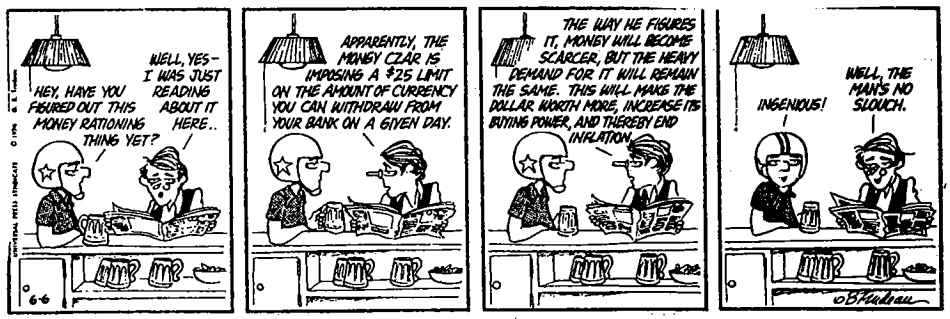
Does the above quote offer an accurate picture of where we are today? I don't know, but I do know that we have been carried along by a great bear tide, and I know that this bear market, so far, has been a brutal one. Subscriptions to this service have risen 50% since the first of the year, and frankly, I have been puzzled, even somewhat worried, by all this "success." I'm not kidding myself. I know conditions are very difficult in the securities industry. Last week Robert Scott (22 branches on the West Coast) closed its doors. NYSE firms suffered a $47.8 million loss in April, worst on the record. I know that many advisory services are having troubles. "Are people expecting something from me that I can't produce?" I ask myself that question, and it worries me.

I have been reading a very interesting book entitled, "The Art of Selfishness" by David Seabury. Seabury's two cardinal rules are, first, "Never compromise yourself," and second, "No ego satisfaction" (meaning no ego trips). I try to follow both of these rules. I realize that it's tempting to tell people what they want to hear, but that's compromise, and it's dishonest. All I can offer people is what I believe or what I can deduce. Unfortunately, I'm not a genius, I don't have a crystal ball, and I'm anything but infallible.

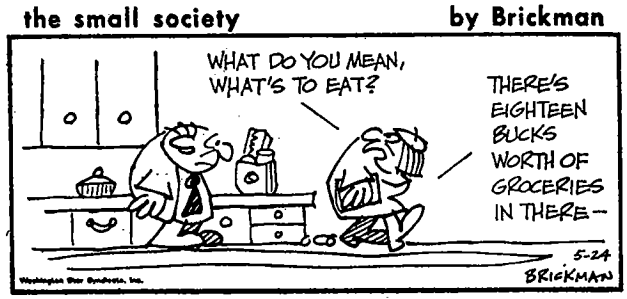


People are very worried and confused, perhaps more so than at any time since the second World War. They are asking four very basic questions: (1) What is the market doing, and what is it telling us? (2) What's happening in the world? (3) How does this all apply to me?

(4) What can I do about it? These are things that I ponder constantly myself, and these are the things I write about.


HEY, HAVE YOU FIGURED OUT THIS MONEY RATIONING THING YET?
WELL, YES- I WAS JUST READING ABOUT IT HERE..
APPARENTLY, THE MONEY CZAR IS IMPOSING A $25 LIMIT ON THE AMOUNT OF CURRENCY YOU CAN WITHDRAW FROM YOUR BANK ON A GIVEN DAY.
THE WAY HE FIGURES IT, MONEY WILL BECOME SCARCER, BUT THE HEAVY DEMAND FOR IT WILL REMAIN THE SAME. THIS WILL MAKE THE DOLLAR WORTH MORE, INCREASE ITS BUYING POWER, AND THEREBY END INFLATION
INGENIOUS!
WELL, THE MAN'S NO SLOUCH.

Frankly, I believe that if I was now writing Dow Theory Letters as a straight stock market report, I would be just about out of business. People today want to know HOW TO SURVIVE. The survival theme fills my mails every day, and I include two rather sophisticated comic strips received today, each dealing with themes which would have made no sense a few years ago.



In the last report I wrote that in my opinion the Dow Industrial Average is the critical indicator at this time. The Dow is the indicator which the public and the world watches and hears about; it is the barometer which everyone understands. Furthermore, the Dow is made up of thirty blue chip, giant, well capitalized corporations with a value equalling better than 25% of the entire NYSE. Smaller firms can be pushed to the wall, delisted, battered, and decimated, but when the Dow goes down in earnest you know and Wall Street knows that the nation is in trouble. Therefore, I continue to believe that the path of the Dow will be central in appraising the market's future (and the economy's future) over the period ahead.

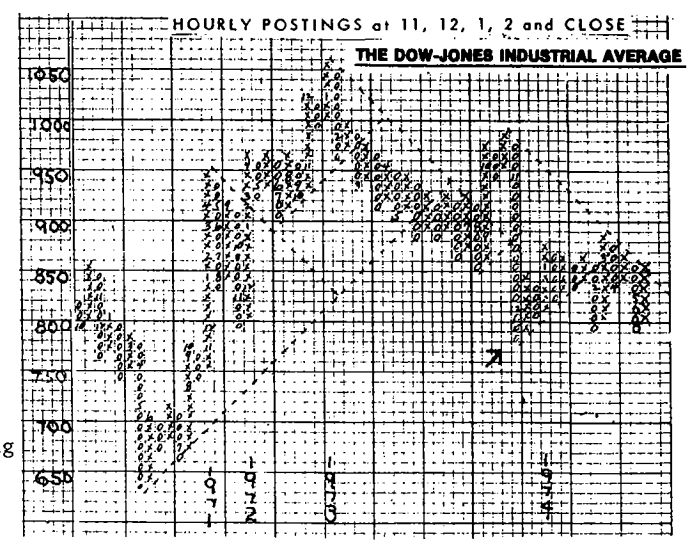
I also stated in the last Letter that by all "normal" standards the market should be considered in "oversold" territory and that by the same reckoning we should be ready to some version of the well known and long-awaited "summer rally" (anytime the market goes up after April, particularly during a bad year, Wall Street calls it the summer rally).

On June 3 the Dow took a big leap skyward to the tune of 19 points. This was followed by continuing upside action throughout the rest of the week, with the Dow closing the week in the over-850 area. The rally was explosive in character, typical of an upward correction in a bear market rather than the slow, plodding push so typical of primary bull markets.

Nevertheless, it should be remembered that the bear is out to maul the investor, to separate him from his money, and to do that he must be deceptive, often brilliantly deceptive. It has been the character of this bear market ever since 1966 to "look very good" on the rallies, to produce whatever was needed to draw fish into the net. If rising to 860 doesn't draw the fish in on this rally, then climbing to 880 may do the trick. What I am trying to say is that bear market rallies (particularly during the second phase, which is where we are now) are the most deceptive movements on Wall Street.

Rallies within primary bear markets serve two purposes, (1) to correct the excesses of the preceding primary decline, (2) to provide a "hopeful" background in which more stock can be distributed. I believe that this bear market rally is ultimately fated to be no different than any of the others which have graced the post-1966 period. Before it is over, more money will be lost than made, and before it is over most of those who trade in it will wish that it had never occurred.

Nevertheless, the market is a most democratic place. First, it makes the bulls look good and the bears look bad, then it reverses the process and makes the bears look like geniuses and the bulls look like boobs. In the end, the long-term investor who collects his dividends and sells his stocks for more than he paid for them is the winner. There are very, very few winners when a great bear market finally expires.

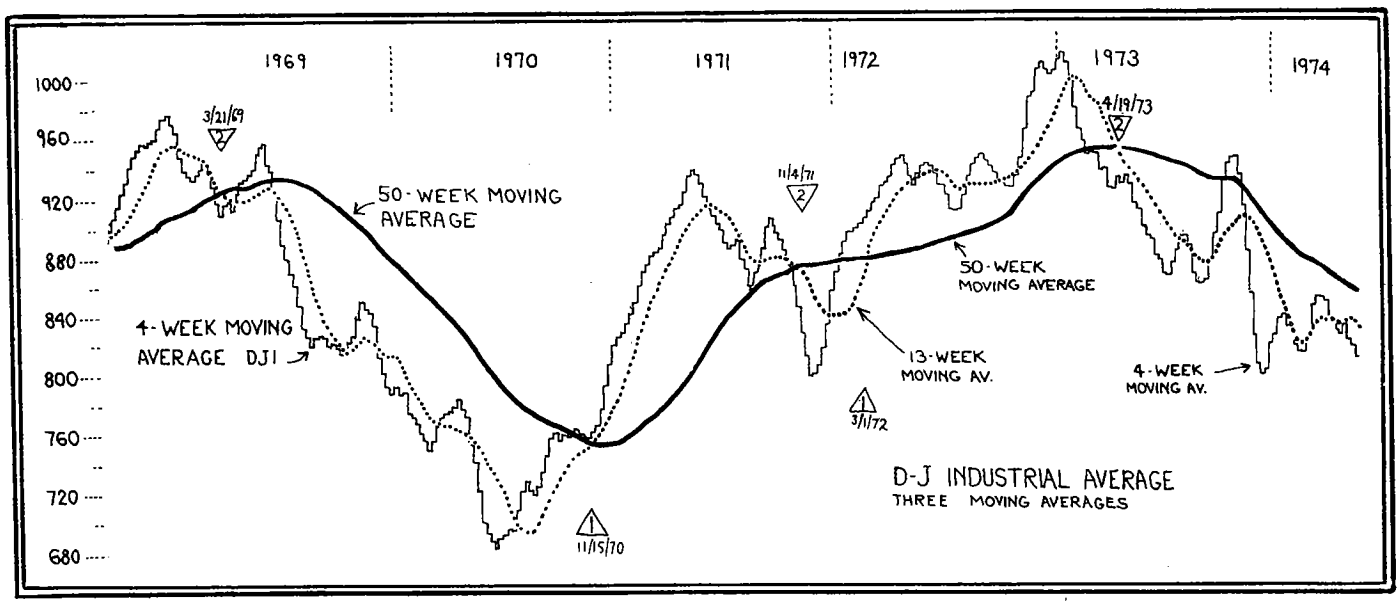


I am including this point & figure chart of the Dow as an aid to understanding this market. P & F charts have the advantage of being able to concentrate a great deal of action over a limited amount of space. P & F charts also are capable of showing formations which might not easily be seen in the traditional bar-line method of charting. On this chart (courtesy of Chartcraft, Larchmont, NY 10538) each box equals 10 points and only rallies or declines of a full 30 points or more are shown (rows of X's denote rallies, 0's depict declines).

Note that we have a decline to the 780 box in late-1973 (arrow on chart). Following this we have the two 1974 declines to the 800 box. The current rally would have to push above the declining trendline (which would entail a move to 860), then touch the 900 level (in other words a new 1974 high) to fully reverse the formation as it appears on the chart. I doubt that we will see this kind

of strength, although a rally to 860 or better is certainly possible.

On the downside, we can see the importance of the current juncture. Note the 1973 Dow low of 790 (arrow), the 1973-74 rally, then the double bottom at the 800 level. The P & F chart points up the fact that the 790-800 level represents the "goal line stand" for the Dow. It is normal for the market to rally whenever a critical level is reached, and the 790-800 area proved no exception. My guess is that the Dow will keep Wall Street hoping a while longer, then break the 790 level and head for the 1970 lows.



MOVING AVERAGES: This study updates the Dow moving average (MA) studies last seen in Letter 586. The chart (weekly) shows three MA's of the Dow, a 4 week or short-term MA, a 13 week or intermediate MA and a 50 week or long-term MA. The relationship of the three MA's tells us quite a bit about the technical position of the D-J Industrial Average.

I have simplified this study in that I have reduced the potential "signals" to just two. A #1 signal occurs whenever the 13 week MA crosses above the 50 week MA. This is a major "buy signal." A #2 signal occurs when the 13 week MA drops below the 50 week MA, and this constitutes a major "sell signal." Any time the short-term or 4 week MA crosses above or below the 13 week MA we have an "alert signal" and by the very construction of these MA's an alert signal must precede a major buy or sell signal.

It is important to understand the following: I always give more credence to a major buy or sell signal if that signal occurs in the direction of the prevailing primary trend. For instance, I would take a major (#2) sell signal in a bear market (such as this one) to be more important than a #1 or buy signal during a bear market.

One of the advantages of this study is that very few signals materialize. For instance, since 1969 only five signals have been given, two #1 buy signals and three #2 sell signals. A characteristic of the MA study is that it will put you "on the right side" of any major and extended move. Obviously, if the market is in a trading range, the MA study will be prone to "whipsaws," but the large moves such as the 1969-70 smash and the 1970-71 advance were well advertised by the MA crossings.

On April 19, 1973, the last major (#2) signal was given under this study (the actual reading for the Dow on that day was 963.20). That #2 signal was set off fourteen months ago, and no countermanding signal has been given since. In other words, under the MA study one would have sold in April, 1973, and remained out of the market every since (the April, 1973, signal was heightened by the fact that it was a major sell signal recorded during a primary bear market).

It is my observation that very few profitable moves have come in the market prior to a #1 buy signal on the MA study. Since it requires time for a crossing of the 13 week and 50 week MA's, it is conceivable that a rally could be so violent that it could arrive and be over before a #1 signal even had time to register. Such rallies do occur at times, but they tend to be bear market (upward) corrections, rather than the long, relentless advances which are such a profitable feature of a true primary bull market.

At present, the 4 week MA of the Dow is at 829 while the 13 week MA is 848. This means that it would take three weeks or more before we could even get a buy alert. More important, the 50 week MA is now at 874 while the 13 week MA is at 848; they are 26 points apart. Based on past records, I would guess that it could take a month or more (assuming the rally continues) before we could receive a #1 or major buy signal. It is also well to remember that the importance of such a signal would be diminished because it would be occurring within the context of a primary bear market.

CALENDAR:

1944: Bretton Woods monetary system with currencies of the world under fixed exchange rates. US possesses $24 billion in gold. Dollar and pound are reserve currencies to be held and considered "as good as gold."

Late-1960's: Amid massive inflation in US, world becomes loaded with US dollars. Pound devalues twice and Britain becomes a third rate power as its currency deteriorates. Huge speculative movements of currencies. US gold reserves drop to the $12 billion level as other nations exchange unwanted dollars for gold.

1968: "Gold Pool" collapses as US and other nations are unable to hold price of gold down. Two-tier gold system inaugurated.

1970: Canadian dollar "floated" meaning that supply and demand is to determine the worth of Canada's dollar.

Dec., 1971: US dollar devalued as US trade deficit continues to rocket and US gold losses grow. US goods overnight become cheaper for foreign buyers. Other nations manipulate and support their currencies to protect themselves against US competitive edge — this is the so-called "dirty float."

April, 1972: Leading European nations link their currencies so that there is no more than a 2.25% fluctuation between the highest and lowest currency, the whole to move within a wider 4.5% band against the dollar. This is the "snake in the tunnel."

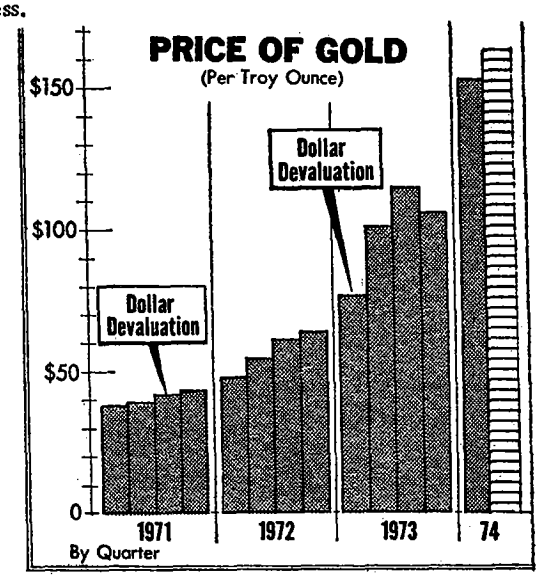
Feb., 1973: The US, still with chronic balance-of-payments losses, devalues the dollar again. The world is shocked. The European nations announce that the "snake" is no longer to be tied to the dollar.

March, 1973: European "joint float" linked to the strong German mark. Joint float nations include Dutch, Danes, Belgians and Norwegians. The US dollar, Canadian dollar, Japanese yen and French franc float separately. World starts learning how to operate with floating rates while gold price climbs as all currencies (reflecting world-wide inflation) sink in value against gold.

1974: Arab oil nations increase price of oil, setting off the greatest redistribution of wealth in world history. Arab oil revenue to increase from $22 billion in 1973 to $85 billion in 1974. Industrial nations including the US to move from a balance-of-payments surplus of $12 billion in 1973 to a net BOP deficit of $38 billion in 1974. The Arabs frustrated as value of their paper currency holdings deteriorate under onus of world inflation.

June, 1974: IMF's Committee of 20 finance deputies will meet in order to come up with guidelines on managing floating rate structures. Currencies devalue against each other for competitive purposes and vanishing liquidity bring up spector of exchange controls, collapsing paper currencies and incipient trade wars. Schmidt (Germany) and d'Estaing (France) begin meetings to try to unite Europe, deal with pressing questions of gold, inflation, sliding business.

Meanwhile, pressure increases to legalize gold for Americans as Senate passes gold legalization "rider" bill with fair possibilities for bill passage in the House. President Nixon, with power to legalize gold for US, waits in the wings. As the time passes and the world's paper currencies continue to deteriorate, the picture is traced by the quarterly average price for gold. I include this most interesting chart which appeared in the Los Angeles Times.



At this point I want to move into the realm of financial fantasy, so I will take a deep breath and include my "calendar for the future." In putting together this calendar, I accepted the following as strong probabilities: (1) Substantially lower stock price (regardless of rallies) between now and mid-1975 prior to a new primary bull market. (2) Much greater monetary inflation, probably accompanied by some price deflation (which could be beginning now). (3) Increasing acceptance of gold as the "only real money." (4) The systematic destruction of paper currency — unless convertibility is adapted. So, on to the theoretical calendar...

Third quarter, 1974: Business in the US and worldwide begins to slump in the face of towering inventories, consumer price-resistance, high interest rates and illiquidity. The Fed in the US is reluctant to continue their tight-money stand, interest rates decline and the dollar weakens against major European currencies and the yen. Sensing this, the golds (with a base now completed) start their next bull move.

The US economy responds sluggishly to the "ease-up" in interest rates, and monetary inflation is intensified by the Fed. The tabulations, page 5 (courtesy of the Bank Credit Analyst, 1245 Sherbrooke St., West, Montreal, Canada 109) show that progressively greater infusions of bank credit have been needed during each period since 1949 to produce each extra dollar of GNP. The BCA estimates that the 1974-78 period (and this could be a conservative figure) will require a bank credit boost of 20% per year or a total of $700 billion over the period!

Bank Credit Analyst Tabulations

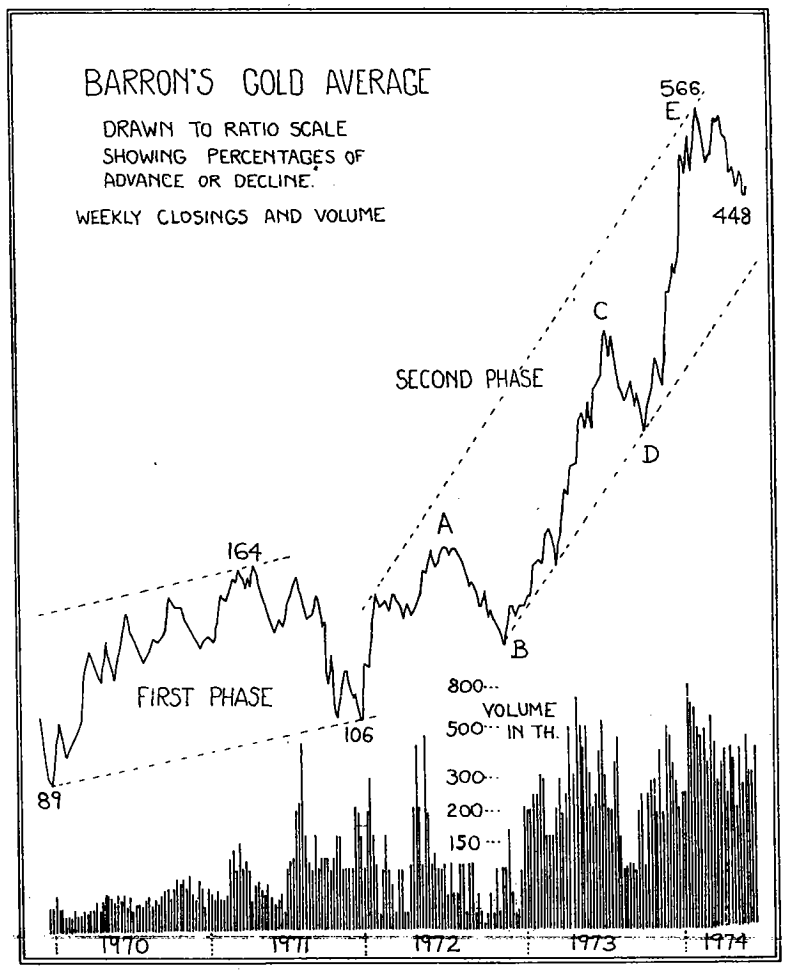
	Change in Real GNP (1958 Dollars) ($ Bill)	Change in Total Bank Credit* ($ Bill)	Bank Credit/ Real GNP
June '49/June '53	+ 93.9	+ 23.9	0.25
June '54/June '57	+ 51.1	+ 17.7	0.35
Mar. '58/Mar. '60	+ 52.7	+ 18.3	0.35
Dec. '60/Dec. '65	+150.7	+ 102.7	0.68
Dec. '66/Dec. '68	+ 56.4	+ 74.5	1.32
June '70/Dec. '73	+119.2	+219.0	1.84
June '74/June '78	+120.0	+700.0	5.90

Fourth quarter, 1974: In the face of marked dollar weakness and rising gold prices, the market falls back and consternation reigns over Wall Street and the Fed. The market is again in the grip of the bear and many stocks are smashed to new lows.

1975: Following a market collapse and perhaps a bear market termination, the temporary, although very painful, spate of deflation gives way to inflation, then rampant inflation as prices sky-rocket. The stock market rises violently. Gold pushes above the $400 level as the super-inflation of 1975 is perceived. The great public stampede into gold-related investments begins in earnest. The gold shares explode as institutions, sensing the need for gold-oriented hedges, rush into the better gold equities. The public moves into the speculative or "penny gold shares" and the entire gold market "blows its top" as the full significance of the following fact is understood: If the US even attempts to hold back the cyclical pressures which are now leading to deflation, the destruction of the dollar is virtually assured.

* * * *

GOLD: I am updating the chart of Barron's Gold Average which last appeared in Letter 594. At that time I wrote that we were about completing the second phase of the primary bull market in golds, and that the correction was underway. To review, the first phase of the gold bull market (1969-71) saw informed, early accumulation in the gold shares. These gold buyers were the hard-rock believers, the investors who saw the coming trend of events and took early positions.



The second phase, beginning at the 1971 low of 106 on Barron's Gold Average, was the phase which witnessed the gold shares rise as they reflected the improvement in the economic, social and political conditions for gold. Although the second phase saw increased participation on the part of many informed investors, the prejudice of forty years plus continuous, rampant anti-gold propaganda from Washington served to keep the general public (and the institutions and funds) out of the golds. Then too, the gold stance of the Government (the US held that any citizen who owned bullion was committing a criminal offense) served to degrade the yellow metal in the eyes of the public. Thus, even though gold represents the only real money, the American public clung to its pathetic belief that the IOU (the dollar) is better than the intrinsic value ~~behind~~ it, ~~and this despite the worst inflation~~ in living memory.

The second psychological phase of the gold move assumed the form of an Elliot five-wave rise. These five waves (A through E) gave way to the correction which has been in force in Barron's Gold Average since early 1974. I have stated that I felt that each subsequent correction in the gold bull market would tend to be milder than the preceding. Note the intensity and violence of the correction which ended the first phase (164 to 106). That was a correction of 35%. So far, the correction from the 1974 high to the May low (566 to 448) amounts to only 20%.

Letter 597 (May 10) included a chart of bellwether Dome Mines along with Dome's momentum index. I stated that Dome was nearing an upside breakout in momentum, and that such action should be bullish for the entire gold group (I also noted that ASA was in the same position on its momentum index). Letter 597 went on to say, "I find that momentum generally gives me the

best early indications of important reversals in a stock." It would appear that the indications of May 10 are now starting to "take hold" in the actual gold stock prices, and last week's action was the best seen in the gold shares for the past few months.

My own opinion is that the golds have now bottomed out, that bullion shows very strong support at the $150 area and has probably bottomed out. From wherever Barron's Gold Average records its second phase correction low (and the 448 of the week ending May 31 would have been the low), we will be moving into the third phase of the gold bull market.

I don't know how the third phase will unfold, I don't know whether the third phase will last six months or two years. I don't know whether the average gold stock will appreciate 50% from the 1974 low or 250%. But if this third phase of the gold bull market runs true to form, I would say that we will see the funds come in first, then the general public in a display of speculative frenzy and intensity which will dwarf anything seen so far in this gold bull market.

The Barron's Gold Average chart shows weekly volume for the four NYSE listed gold shares, ASA, Campbell, Dome and Homestake. Note the higher volume in the second phase compared with the first phase. The third phase volume should be much higher than second phase volume, perhaps triple the second phase volume. I would also guess that just as the second phase rising channel was steeper than the first phase channel, the third phase rising channel will be steeper yet. The third phase of the gold market should be characterized by (1) great gold volume, (2) public acceptance of gold coins and gold shares, (3) institutional buying of quality golds, (4) public (frenzied) buying in the low-priced gold shares, (5) an accepting or even optimistic attitude out of Washington towards gold (6) a general and increasing public panic out of paper currency into "real value" as represented by the yellow metal.

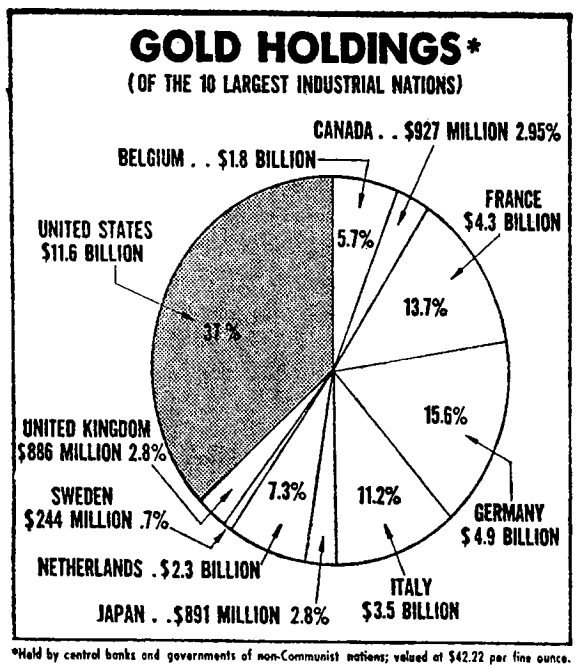
I know that these statements sound improbably, unlikely, even ridiculous. But ask yourself this, how would an inflation rate of over 10% have sounded to you five years ago? How would Levitz at 3½ or Westinghouse at 16 have sounded to you two years ago? Wall Street is the great dream-smasher, the place where you either position yourself with the tide of coming events — or go down with your illusions.

As far as the current picture is concerned, I see nothing in our present political leadership to cause me to believe that this nation will assume responsibility for the great sacrifices necessary to defend the dollar. Actually, it's even more discouraging than that. Today, there isn't a single nation anywhere in the Free World willing to put a clamp on its inflationary "prosperity" in order to insure the stability of its currency or the ultimate strength of its economy. If anything in this picture changes, I'll rush to let subscribers know. So far (and for the past few decades) — no change.

NOTES, COMMENTS, THOUGHTS: James Dines, what are you doing on the cover of New York Magazine, your flesh tinted gold with two antennae branching out of your forehead? Cover story (June 10), "This Man is a Gold Bug." An interesting, well-written, but somewhat snide article on Dines, gold, and why gold is no sure thing..... From Money International (Citibank), another warning article (May issue) entitled, "Why the Gold Price May Be Riding for a Fall." .....Business Week (June 8) has two (count 'em) warning articles on gold in one issue. Page 21 tells us that Europe wants a US pledge "not to upset the market price by unloading large amounts of gold." Then page 67 presents a second story, "A Scary Scenario for Gold." This article tells us that Americans (when gold is finally made legal) will be the last buyers of gold, then plop will go the gold price. MY COMMENT: Who are all these nice people warning us about the terrors of owning gold, and why are they saying those awful things? And what I REALLY WANT TO KNOW is why didn't all these same nice people warn us years ago about the disaster in store for us if we owned dollars?

Los Angeles Times (June 9) ran a lead story indicating that US gold legalization could come anytime now. The IDA bill with the "gold rider" comes before the House this week. LA Times says that Banking and Currency Committee Chairman Patman now favors legal gold (a switch). Nixon may make the whole Congressional gold debate academic by signing gold into law himself. I think it would be good politics on Nixon's part, and if there's anything Mr. Nixon needs now, it's good politics!

This chart shows the utter insanity of the US anti-gold stance, a stance that will have to crumble. The US would benefit most from a big gold price boost. But, of course, US politicians think they would benefit even more if gold didn't exist and Fort Knox was turned into a Government printing plant (I presume you know what it would print).



Meanwhile, the debate rages about gold. Will Europe raise the price, how high, when? My timetable is that gold will have to be raised in price before the end of September, and that Europe will be trading gold among their own central banks by then.

Just in today from International Moneyline, 21 Charles St., Westport, CT 06880, a report stating that S. African Finance Minister Diedrichs is on his way to Washington for secret talks with Treasury Secretary Simon regarding gold! IML states that their scoop of the year is that Simon is about to reverse US policy on central banks buying and selling gold, and that the result will be higher priced gold. If true, my hat off to Editor Julian Snyder for what is indeed a scoop!

Meanwhile, C.V. Myers (June 6 report) seems to have reversed his stand on gold, and states that in the face of (what he sees as) a world depression, the S. African golds are a buy and that he expects them to appreciate "between 60% and 100% still." (Myers, PO Box 5531, Sta. A, Calgary, Canada T2H 1X9).

The Italian situation is now desperate, with Italy bankrupt and the Italian civil system breaking down, civil salaries not being paid. Note on the page 6 gold chart that Italy has $3.2 billion in gold. Now at $200 per ounce gold Italy would have over $15 billion in gold. Do you see what I mean by the ultimate golden bail-out? It has to come, and it will come. It could come during rampant inflation or horrendous depression — but it will come. When your national balance sheet is going under, you don't resist revaluing the price of your only real asset (gold), you boost it as high as you are able!

I believe that President Nixon sees the gold picture, and that Simon could indeed be going ahead with the Nixon OK. I feel that Nixon is going to end up playing the gold move for all it's worth, and politically it's worth alot. Nixon, who cannot miss a political move with a plus in it at this point, can tell the Americans that he has restored their birthright to own gold after forty years of anti-gold tyranny, he can tell them that he has restored their right to protect themselves against inflation, he can tell them that the beginning or "the new real money era" has started under his Presidency, after dozens of years of inflation and flim-flam. I think he'll do it, it's too big an opportunity to miss, and I believe he knows it.

Next, I am going to insert a piece which may help you survive in the non-financial sphere; it took me over 40 years to learn the following myself.

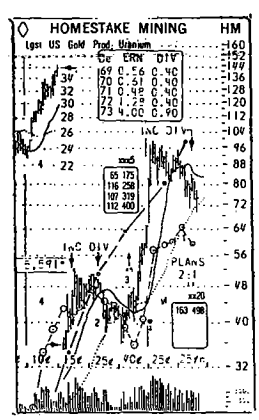
PSYCHIC INVESTMENTS: In an earlier part of this report I mentioned Seabury's "The Art of Selfishness." I want to say more about this, and I place these periodic sections under the heading of "investments" (since all the money in the world isn't worth a thing if your life is a mass of frustrations).

It is one of the great psychological paradoxes that you can not find yourself nor can you find happiness by concentrating on "trying to make other people happy." Those who live their life for others by trying to give others what they presumably need to make them happy, these misguided souls neither make others happy nor do they generate happiness in themselves.

The seeming paradox is that you must do what makes you happy. You must become self-ish, in that you act out of yourself. Only in acting self-ish, doing what gives you pleasure, can you possibly give anyone else any happiness or pleasure. The do-gooder who runs around being "helpful" generally only succeeds in "bugging" people, getting in their way, handing out meaningless charities and in general wasting his own life while adding little to anyone else's life.

Therefore, it has made a tremendous difference to me to find that in experiencing that it is "all right" to act out of myself, to be self-ish. After I disdovered that and acted on it, I found that I was able to have some effect on other people. I will go further than to say it is merely "all right" to be self-ish; I will state that it is absolutely mandatory to "give yourself the right" to please yourself. To put it the simplest way I can, if you please yourself you have a chance to please others. If you refuse to please yourself, to be self-ish, you won't be worth a damn to yourself or anyone else.

GOLD SHARES: The listed NYSE gold shares tend to be the leaders following corrections. At the right we see the US major gold producer, Homestake. Homestake has just split its shares two for one and doubled its dividend. I believe we will see more of the same from HM in the next year or so.

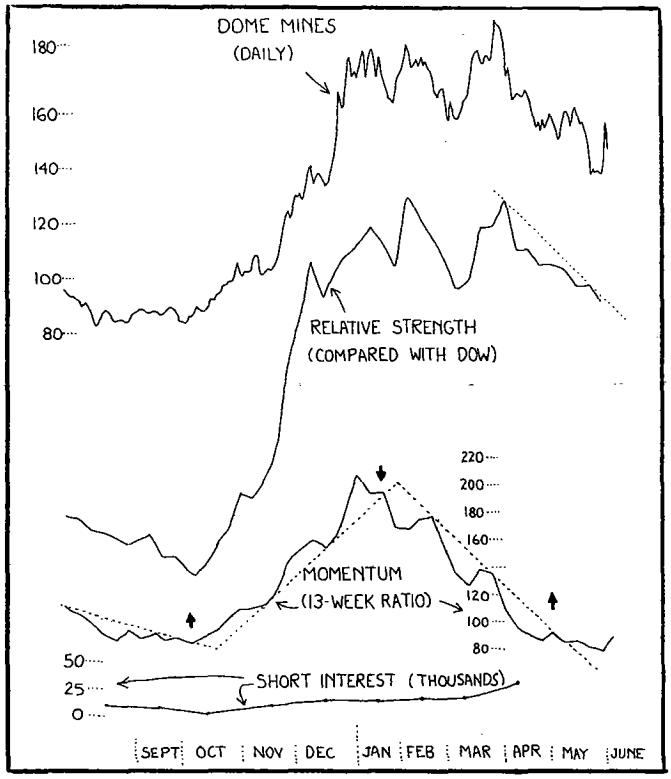


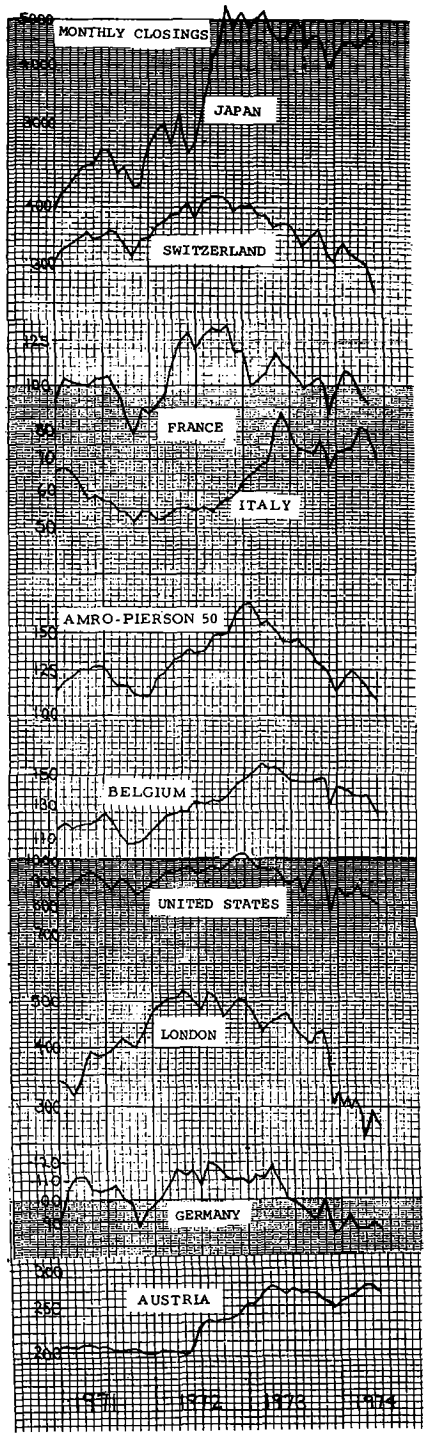
Note that HM has corrected right down to its 200-day moving average (dotted line), and the stock is now consolidating bullishly as volume dries up. Earnings for HM have boomed with shares showing $4.98 for the year ending the first quarter against $1.75 a year ago (year ending first quarter, 1973). This chart courtesy Quote, PO Box 213, Wichita, KS 67201.

In Letter 597 I included my own chart of the bellwether Dome Mines, and I commented that the momentum line on Dome was about to reverse to the bull side. The chart from Letter 597 is updated on page 8. Note that in typical fashion, momentum in Dome broke out of its descending trend, moved sideways, then last week pushed up to an eight week high. I believe that Dome is about to establish a new rising trend in momentum, the first in 1974, and that this should be bullish for the

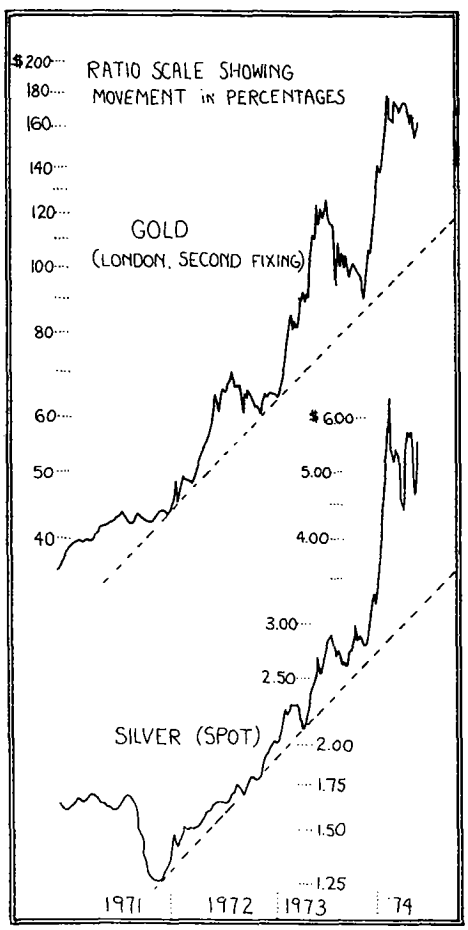
whole gold group (the same is true in the chart of bellwether ASA). For new subscribers, I should repeat that my momentum formula is tabulated by obtaining the ratio of Dome's price (Thursday close) as against its price 13 weeks ago.

The relative strength in Dome is also shown on the chart, and Dome could be about ready to reverse to the plus side on relative strength. That would indicate that on a trend basis, Dome would be acting better than the market. Such an indication would have bullish implications for all gold shares.





INTERNATIONAL: Primary movements are always international in scope. Although not all nations suffer equally in a primary bear market, they all do suffer (and this includes the Communist nations — or it will). I include my ratio chart of nine major stock averages along with the Amro-Pierson International Average of 50 leading blue chip corporations. As you can see, the story is pretty much the same throughout the world — the highs have been seen despite the roaring winds of inflation. Amazingly, Switzerland looks almost as bad as Britain. Those Swiss don't like inflation, and for the first time in modern memory, they have it.



GOLD, SILVER: Like the international stock average chart, the gold and silver chart is ratio-scaled and shows percentages. It is clear that the long-term bull trendlines in both gold and silver are very much intact. It is most interesting to see the huge triangle forming in silver. I interpret it only one way, the precious metal situation is at the explosive stage. Silver is "wound up and ready to blow," one way or the other. I think silver and gold are going UP.

Note also on these ratio charts that the "big corrections" in gold and silver hardly look impressive in terms of percentages. As a matter of fact, they have been remarkably shallow corrections so far (since this is the only ratio silver and gold chart around, only my subscribers would know that fact).

NOTICE: I'm tired. I need a few days off. Therefore, I'm going to take two weeks between this report and the next one — instead of the usual ten days. The next Letter will be mailed on June 26.

LATE NOTES after today's close. The Italian Government has collapsed. The Arabs have announced that they are boosting their ownership of Aramco from 25% to 60%. That's pretty wild for one day.

BOOK that I recommend, Harry Browne's "How I Found Freedom in an Unfree World." Very fascinating ideas. (Harry, if you read this, how about dropping me a line)?

GOLD stocks to buy here: ASA, Dome, Homestake, Vaal Reefs, West Driefontein (If you don't already have them).